

Message Text

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FORMEISSNER -

E.O. 11652: N/A

TAGS: EGEN, ECON, UNCTAD, NO

SUBJECT: COMMON FUND: U.S. AND NORWEGIAN VIEWS

REF: OSLO 3770

1. U.S. POLICY ON A COMMON FUND DIFFERS SHARPLY FROM THAT OF NORWAY. THE POINTS OF DIFFERENCE INCLUDE THE PURPOSE OF A FUND, THE SOURCES OF ITS FINANCING, AND THE NATURE OF ITS OPERATIONS. THESE DIFFERENCES BEAR DIRECTLY ON THE ESSENTIAL PRINCIPLES NOTED BY MARTIN HUSLID (PARA 3, REFTEL). TO MAKE THE U.S. POSITION CLEAR TO HUSLID, YOU MAY WISH TO REVIEW THE FOLLOWING POINTS WITH HIM.

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2. PURPOSE OF A COMMON FUND. THE U.S. BELIEVES THE PURPOSE OF A COMMON FUND SHOULD BE TO FACILITATE THE PROVISION OF FINANCING FOR INTERNATIONALLY AGREED BUFFER STOCKS. WHILE THE U.S. RECOGNIZES THAT THE INTERNATIONAL COMMUNITY MUST GIVE ATTENTION TO THE NEEDS OF DEVELOPING COUNTRIES FOR MEASURES OTHER THAN BUFFER STOCKS, IT

BELIEVES THESE NEEDS CAN BETTER BE ADDRESSED BY INCREASING THE RESOURCES AVAILABLE TO INTERNATIONAL FINANCIAL INSTITUTIONS AND BY ENCOURAGING THOSE INSTITUTIONS TO EXPAND THEIR ACTIVITIES IN THE COMMODITIES AREA.

3. SOURCE OF FINANCING. THE U.S. BELIEVES THE SOURCE OF FINANCING FOR A COMMON FUND SHOULD BE THE INTERNATIONAL COMMODITY AGREEMENTS WHICH PARTICIPATE IN IT. BY CONSOLIDATING THE FINANCIAL OPERATIONS OF INTERNATIONAL COMMODITY AGREEMENTS, A COMMON FUND COULD STRENGTHEN AND SUPPORT THE FINANCING EFFORTS OF SUCH AGREEMENTS AND, AT THE SAME TIME, PRESERVE INCENTIVES FOR ECONOMICALLY RATIONAL ACTIONS BY SUCH AGREEMENTS AND THEIR MEMBERS. THE COMMODITY ORGANIZATIONS AND THEIR MEMBERS WOULD BE THE DIRECT BENEFICIARIES OF ANY BUFFER STOCK ACTIONS UNDERTAKEN WITH A COMMON FUND'S SUPPORT.

4. OPERATIONS OF A COMMON FUND. THE U.S. BELIEVES THAT A COMMON FUND SHOULD NOT BE INVOLVED IN THE OPERATION OF INTERNATIONAL COMMODITY MARKETS. RATHER, DECISIONS RESPECTING SUCH MARKETS SHOULD BE LEFT TO THE PRODUCER AND CONSUMER MEMBERS OF INTERNATIONAL COMMODITY AGREEMENTS. THE FUND'S RESPONSIBILITIES WOULD BE STRICTLY LIMITED TO FINANCIAL OPERATIONS ON BEHALF OF PARTICIPATING INTERNATIONAL COMMODITY AGREEMENTS. BECAUSE THE INTERNATIONAL FINANCIAL INSTITUTIONS, PARTICULARLY THE INTERNATIONAL LIMITED OFFICIAL USE

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BANK FOR RECONSTRUCTION AND DEVELOPMENT, HAVE ESTABLISHED COMPETENCE AND EXPERTISE IN THE CONDUCT OF SUCH FINANCIAL OPERATIONS, THE U.S. BELIEVES THAT THE PERFORMANCE AND REPUTATION OF A COMMON FUND WOULD BE STRENGTHENED BY ITS ASSOCIATION WITH ONE OF THESE INSTITUTIONS.

5. THE POINTS ABOVE RESPOND DIRECTLY TO THE FIRST TWO ESSENTIAL PRINCIPLES NOTED BY HUSLID AND AT LEAST INDIRECTLY TO THE SECOND TWO. CLEARLY, A COMMON FUND AIMED AT THE CONSOLIDATION OF FINANCIAL OPERATIONS OF PARTICIPATING COMMODITY AGREEMENTS NEED NOT BE ESTABLISHED PRIOR TO ESTABLISHMENT OF CONSTITUENT COMMODITY AGREEMENTS. AS THE NORWEGIAN INTEREST IN OBLIGATORY CONTRIBU-

TIONS APPEARS TO BE LINKED TO THE CONCEPT OF CENTRAL SOURCE FINANCING, IT WOULD NOT SEEM TO BE RELEVANT TO THE U.S. VERSION OF A COMMON FUND. CHRISTOPHER

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Copy: SINGLE
Sent Date: 25-Aug-1977 12:00:00 am
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Disposition Date: 22 May 2009
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